The first essay uses the passage of the Securities Offering Reform in 2005 to provide new evidence on the choice between issuing debt securities in the private versus public markets. With a more streamlined public issuance process, firms are more likely to seek financing in the public market. This effect is more pronounced for firms characterized by higher information asymmetry and whose debt offerings are characterized by lower expected liquidity. Furthermore, the regulatory intervention also produces real effects on firms’ operations. More specifically, firms increase investment and long-term debt, but keep leverage and cash holdings unchanged. As a result, firms improve their operating performance. The findings in this paper speak of secondary consequences of the regulatory change and have implications for policy making.

The second essay investigates the price patterns around corporate bond reopening dates. I find evidence that the reopened bond's price drops significantly before the reopening date and recovers within four trading weeks after. Although there is a positive association between the price drop and the price rise, the magnitude of the price rise is less than that of the price drop. These results indicate that the observed price drop includes both the transient and permanent portions. Furthermore, I find that the transient portion of the price drop and the relation between the price drop and the price rise are less significant for bonds with certain characteristics that make them more expensive to
borrow. Collectively, my findings suggest that the occurrence of the temporary price pressure is attributed to short sellers trying to manipulate the market price of reopened bonds before the reopening date. These findings imply a situation where short selling may reduce price efficiency and have implications for policy making.